

Message Text

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11

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 COME-00 TRSE-00 OMB-01

CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 TAR-01 STR-04 /070 W

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R 052301Z JUN 75

FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 0413
INFO AMEMBASSY BOGOTA
AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY PANAMA
AMEMBASSY QUITO
AMCONGEN GUAYAQUIL
AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 2320

E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: GOVERNMENT REVIEWS BANANA TAX

GMQM TOP OFFICIALS OF THE COSTA RICAN GOVERNMENT MET
WITH PRESIDENT ODUBER ON MAY 4 TO REVIEW BANANA POLICY.

2. ACCORDING TO ANNOUNCEMENTS MADE TO THE PRESS, THE
GROUP FOUND THAT THE CURRENT EXPORT PRICE OF \$2.60,
WHICH INCLUDES A 45 CENT TAX TO THE GOVERNMENT AND A
55 CENT PRICE INCREASE FOR INDEPENDENT GROWERS, IS NOT
EXCESSIVE. THE GROUP OBSERVED THAT THE JOBBER'S
PRICE IN THE U.S. HAS RISEN FROM \$4.50 TO \$7.50 AND
THAT THERE IS CURRENTLY A SHORTAGE OF BANANAS, WHICH
CREATES A STRONG DEMAND FOR THE COSTA RICAN FRUIT AT
CURRENT PRICES.

3. THE GROUP ALSO STATED THAT GOVERNMENT REPRESENTATIVES
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WILL SOON MEET WITH THE REPRESENTATIVES OF UNITED BRANDS

TO DISCUSS THE FUTURE RELATIONSHIP BETWEEN THAT COMPANY AND THE NATION. THOSE ATTENDING THE MEETING WITH PRESIDENT ODUBER WERE VICE PRESIDENT CASTILLO, MINISTER OF ECONOMY SANCHEZ, MINISTER OF FINANCE MORERA AND PRESIDENTIAL ADVISOR RODOLFO QUIROS GUARIA. THE CONVERSATIONS WILL RELATE TO RECUPERATION OF UNUSED LANDS AND THE EXECUTION OF PROGRAMS OF SETTLEMENT OF CAMPESINOS AND THE CREATION OF JOINT VENTURES WITH FOREIGN CAPITAL. THE NEW PROGRAMS WILL INVOLVE CULTIVATION OF AFRICAN OIL PALMS, PEPPERS, YUCCA AND RICE FOR EXPORT TO NEW MARKETS OF THE CARIBBEAN.

4. COMMENT: THE GOVERNMENT'S ANNOUNCEMENT APPEARS TO HAVE TWO SIGNIFICANT IMPLICATIONS: 1) THAT THE GOVERNMENT WILL PERIODICALLY REVIEW THE BANANA SITUATION IN TERMS OF COSTA RICAN TAX LEVELS AND THE FOREIGN MARKET PRICE OF BANANAS; AND, 2) THE GOVERNMENT IS STILL CONSIDERING PROCEEDING WITH A JOINT VENTURE OF UNITED BRANDS AND PRIVATE INVESTORS TO BRING UNUSED BANANA LANDS INTO PRODUCTION, EVEN THOUGH THERE IS A BILL IN THE CONGRESS, SPONSORED BY THE PLN, WHICH WOULD EXPROPRIATE THE UNUSED LANDS OF BANANA COMPANIES.
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